COPY FOR MR. J. ALLAN ROSS

HYDRO-ELECTRIC INQUIRY COMMISSION

GENERAL REPORT

SANDWICH, WINDSOR AND AMHERSTBURG RAILWAY
AND
WINDSOR AND TECUMSEH ELECTRIC RAILWAY

JOSEPH H. W. BOWER
SECRETARY

Sandwich, Windsor & Amherstburg Railway

and

Windsor and Tecumseh Electric Railway

HYDRO-ELECTRIC INQUIRY COMMISSION
W. D. GREGORY, CHAIRMAN

MAP SHOWING LOCATION OF

SANDWICH, WINDSOR & AMHERSTBURG RY.

AND OF

WINDSOR AND TECUMSEH ELECTRIC RY.

Toronto, Feb 2 Oct. 1923. Made by and Checked by

WALTER J. FRANCIS & COMPANY
CONSULTING ENGINEERS

Map Showing Location of

Sandwich, Windsor & Amherstburg Railway

a n d

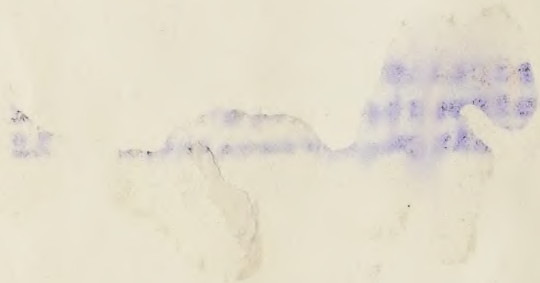
Windsor and Tecumseh Electric Railway

HYDRO-ELECTRIC INQUIRY COMMISSION
W. D. GREGORY, CHAIRMAN

MAP SHOWING LOCATION OF
SANDWICH, WINDSOR & AMHERSTBURG RY.,
AND OF
WINDSOR AND TECUMSEH ELECTRIC RY.

Toronto, Feb. 20th., 1923. Made by G.E.S. Checked by L.L.

WALTER J. FRANCIS & COMPANY
CONSULTING ENGINEERS



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ON THE

SANDWICH, WINDSOR AND AMHERSTBURG RAILWAY.

-AND-

WINDSOR AND TECUMSEH ELECTRIC RAILWAY.

[illegible]

[illegible]

[illegible]

-[illegible]-

[illegible]

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LETTER OF PRESENTATION

CHRONOLOGICAL [illegible] I

HISTORICAL ..... [illegible]

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[illegible] ..... [illegible]
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GENERAL [illegible]

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GENERAL RELATIONS.

[illegible] ..... [illegible]
[illegible] ..... [illegible]
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SUMMARY

Toronto,
26th February,
1 9 2 3.

Hydro Electric Inquiry Commission,
W. D. Gregory, Esq., Chairman,
TORONTO, ONTARIO.

Re GENERAL REPORT
Sandwich, Windsor & Amherstburg Railway
- and -
Windsor & Tecumseh Electric Railway

Mr. Chairman and Gentlemen:-

In accordance with your instructions, a general report on the Sandwich, Windsor & Amherstburg Railway and the Windsor and Tecumseh Electric Railway, has been made along the general lines approved of by the Commission on January 2nd. The work has been done under my direct personal supervision as per your directions.

The reports of Messrs. Price, Waterhouse & Co. and Messrs. Clarkson, Gordon and Dilworth have been used in the preparation of the report and in addition complete studies have been made of all evidence taken at the public hearing held in connection with the System. The report falls naturally into two distinct parts. The first part includes sections entitled "Chronological Chart", "Historical Sketch", "Physical" "General Economics", "General Relations", and "Legal Issues" which Sections are a recital of facts together with explanatory matter. The Second part entitled "Summary" is in effect a series of my own personal deductions and should be considered as such.

In reference to the first part of the report referred to above, it is pointed out that wherever use has been made of statements, figures or opinions given in reports by the auditors these have been carefully checked by the auditors and are completely concurred in by them.

The evidence and reports forming the basis of this report are appended hereto, and in order to facilitate reference to the documents in question on the right-hand margin of the report throughout will be found abbreviated references.

Yours very truly,

J. H. W. Bawden

SECRETARY

JHWB/HBP.

SANDWICH, WINDSOR & AMHERSTBURG RAILWAY

and

WINDSOR AND TECUMSEH ELECTRIC RAILWAY

CHRONOLOGICAL CHART

The following chronological chart has been prepared with the object of showing the beginning and development of the Sandwich, Windsor and Amherstburg Railway, together with the various circumstances leading up to the taking over of this System by the Hydro-Electric Power Commission under the Hydro Electric Railway Act. No reference is made in this table to the power situation in the district as this is more easily dealt with in the separate report on the Essex System. The local distribution system in Windsor, owned by the Sandwich, Windsor and Amherstburg Railway, which was taken over at the date of the purchase of the Railway and sold to Windsor, may be considered as a part of the Railway System so far as this chart is concerned. In this chart, the Hydro-Electric Power Commission is referred to as the Commission and the Sandwich, Windsor and Amherstburg Railway as the S. W. & A. Railway.

1 8 7 2

March 2nd Sandwich and Windsor Passenger Railway incorporated.

1 8 8 7

April 23rd Name of Company changed to Sandwich, Windsor & Amherstburg Railway.

Electric Power Development Project

and

Wheeler Dam Hydro-electric Project

Commercial Data

The following memorandum which has been prepared with the object of showing the beginning and development of the Tennessee, Wheeler and Guntersville Railway, together with the various electrical power lines leading up to the Wheeler dam of the Tennessee Valley Authority by the Hydro-Electric Power Commission under the Hydro Electric Engineering Act. An inference is made in this study to the power situation in the eastern states as this is more usually dealt with in an article report on the Tennessee System. The local electrical power lines in Wheeler, owned by the Tennessee, Wheeler and Guntersville Railway, which was taken over at the date of the purchase of the Railway and with it Company, may be classified as a part of the Railway system as far as this state is concerned. In this state, the Hydro-Electric Power Commission is referred to as the Commission and the Tennessee, Wheeler and Guntersville Railway as the R. W. & G. Railway.

I S I S

Rates and Revenue and Income Commission rates approximately.

I S I T

Avril Lake Plus or minus change in direction. Tennessee, Wheeler & Guntersville Railway.

Chronological Chart

1 8 9 3

April 18th City Railway Company incorporated.

Dec. 30th S. W. & A. Railway purchases People's Electric Company of Windsor, Limited.

1 9 0 3

Dec. 23rd Windsor and Tecumseh Electric Railway incorporated.

1 9 0 4

June 20th City Railway Company conveys to S. W. & A. Railway all rights and property, etc.

1 9 0 6

Oct. 17th S. W. & A. Railway purchases Windsor & Tecumseh Electric Railway.

1 9 1 4

June 8th Resolution of Windsor Council requesting the Commission to estimate and report on construction of electric railway from Ojibway running through Windsor and Walkerville to Belle River.

1 9 1 5

March 29th Resolutions from Windsor, Walkerville and Sandwich requesting the Commission to investigate and report on an electric railway system through these municipalities.

Sept.29th Resolution submitted to the Commission from Windsor requesting estimate for the construction of a city line to be operated as a municipal enterprise.

1 9 1 7

July 19th Deputation from Windsor to the Commission re railway situation.

Sept.18th Windsor Council recommends request that Commission investigate and report on plans for taking over the System of the S. W. & A. Railway.

1888

April 24th Give Bullmer Company franchise.

Dec. 30th C. C. & I. Railway purchases Dwight's Diamond Company of Windsor, Ont'd.

1903

Dec. 22nd Winter and Dwight Electric Railway incorporated.

1904

June 10th City Railway Company receives G. T. R. Junction all rights and property, etc.

1906

Oct. 27th G. T. R. Railway purchases Windsor & Essexa Electric Railway.

1914

June 6th Resolution of Windsor Council requiring the Essex Electric Railway to provide an electric railway service between Windsor and Walkerville to Belle River.

1914

Nov. 9th Resolution from Windsor, Essex Electric Railway requesting the Commission to investigate and report upon the feasibility of operating an electric railway system from Windsor and Walkerville.

Sept. 9th Hydro's application submitted to the Board with Windsor requesting estimate for the construction of a city line to be operated as a municipal enterprise.

1915

July 19th Deputation from Windsor to the Commission to railway matters.

Sept. 9th Windsor Council requests report from Commission on the advisability of the City's taking over the Windsor Section of the E. & S. Railway.

Oct. 9th	Resolution from Windsor requesting estimates and report (1) on the construction and operation of an electric railway paralleling existing S. W. & A. Railway tracks, (2) on the acquisition of the latter.

1 9 1 8

May 8th	Resolution requesting the Commission to take over the S. W. & A. Railway adopted by a meeting of representatives of the following nine municipalities, Amherstburg, Anderdon, Ford City, Ojibway, Sandwich, Sandwich East, Sandwich West, Walkerville and Windsor.
July	Resolutions passed by the nine municipalities.
Sept.	The Commission's Engineers made a tentative valuation which was not considered satisfactory for submission to the municipalities as it was made without the Railway's co-operation.

1 9 1 9

April 11th	Joint Municipal Council meeting at Windsor passes resolution requesting the Commission to make inventory and valuation and begin negotiations having in view the taking over of the S. W. & A. Railway.
May 6th	The Commission passes resolutions directing the Chief Engineer to prepare valuation.
May	Valuation made by the Commission of the S. W. & A. Railway System.
June	Negotiations for purchase of S. W. & A. Railway progress.
July 7th	By-law allowing increase of fares by S. W. & A. Railway defeated after vigorous campaign.
July 29th	The Commission confirm willingness to recommend purchase of properties at $2,039,000.00 of Hydro-Electric Power Commission 4½% bonds.
Sept. 3rd	Agreement for purchase of system submitted to Commission meeting and Secretary directed to apply for Order-in-Council authorizing submission of agreement to interested municipalities.

Oct. 8th Resolution from Canadian competitive railways and report
(1) on the disintegration and plundering of the military provisioning railway G. T. P. & G. Railway troops.
(2) on the reorganization of the Intst.

1919

May 8th Resolution requesting the government to take over the G. T. P. Railway subject to operation of rights of private railway companies of the Dominion, including Canadian Northern, Grand Trunk, Grand Trunk Pacific, Canadian Pacific, Quebec, Ontario, Fort Alex, Clifford, Manitoba Southern Ont., Manitoba Ont., Saskatchewan and Alberta.

July Resolution passed by the plus municipalities.

Sept. The Commission's Engineers made a tentative valuation which was not considered satisfactory for submission to the municipalities so it was made without the Railway's co-operation.

1920

April 11th Price committee report, recommending the Commission expropriate the Canadian Northern Railway and operation and begin negotiations with view the taking over of the G. T. P. Railway.

May 4th The Commission's recommendations adopted and order issued to Railway Commission.

May Valuation made by the Commission of the G. T. P. Railway System.

June Negotiations for purchase of G. T. P. Railway properties.

July 7th Bye-law allowing issuance of notes by G. T. P. Railway guaranteed after vigorous opposition.

July 30th The Commission signed agreement for purchase of properties at $8,000,000.00 of Grand-Trunk Pacific Commission [illegible].

Sept. Agreements for purchase of system submitted to Commission including the Treasury authorized to apply for Grand-Trunk-Pacific representative authorized to interpose municipalities.

1 9 1 9 Cont'd.

Sept. 3rd By-law and Agreement submitted to municipalities and passed by all except Township of Anderdon.

1 9 2 0

Jan. 14th Agreement for sale of S.W.& A. Railway completed.

Jan. 20th The Commission instruct Secretary to apply for Order-in-Council authorizing execution of agreement for purchase of Railway and issue of Commission's debentures guaranteed by the Province.

April 1st Purchase completed.

HISTORICAL SKETCH

Under the agreement dated January 14th, 1920, the Hydro-Electric Power Commission on behalf of the municipalities interested purchased from the Detroit United Railways the physical assets and the capital stock of two subsidiary companies, namely, the Sandwich, Windsor & Amherstburg Railway and the Windsor and Tecumseh Electric Railway, and in addition the local electric distribution system owned by the companies in the City of Windsor.

The two railway companies at the time of the purchase had a route mileage of approximately 45 miles, extending between Windsor and Amherstburg 17 miles, and from Windsor to Tecumseh 9 miles. There were also a certain number of buildings in the City of Windsor, a more detailed description of which is given in the section of this report entitled "Physical". P.W. p.12 Ev 2276

The original railway known as the Sandwich & Windsor Passenger Railway Company was incorporated in March, 1872, for the purpose of constructing and operating a line from Sandwich to Windsor, and extending it to Walkerville. This System was enlarged and extended by the successive purchases of the People's Electric Company, Limited, the City Railway Company, the Windsor & Tecumseh Electric Railway and the Ontario Traction Company, all of which were ultimately taken over by the Detroit United Railways. Although the System was operated as a whole, there P.W. p.6

were two divisions known as the Sandwich, Windsor & Amherstburg Railway Company, and the Windsor & Tecumseh Electric Railway, which Companies were kept separate by reason of the bonded indebtedness of each.

In view of the character of the development of the System, the situation with regard to franchises was complicated. The road was operated under a number of different franchises, some of which expired in 1922, some in 1934, one perpetual franchise, and in one case the road was built over the Company's own right of way. Several unsuccessful attempts had been made to have the franchises uniform in point of maturity. Ev. 2466 2467

Following dissatisfaction in the Border Cities in connection with the operation of the Railway, in or about the year 1914, the desire to take over the Railway and operate it for their own benefit grew in the local municipalities. It was claimed not only that the service was bad, and the management arbitrary, but that the Company had refused from time to time to make the necessary extensions required to take care of the increasing population in the Border Cities. It was first suggested by the municipalities that the Commission be approached to estimate the cost of constructing a duplicate line, but this suggestion was met by a counter suggestion on the part of the Commission's Engineers that the existing line should be purchased. Ev 2465

were two divisions known as the Ramsey ca, Winnipeg & Lake Winnipeg Railway Company, the former a Dominion Electric Railway, which Companies were kept separate by reason of the bonded indebtedness of each.

In view of the character of the development of the System, the attention with regard to franchises was concentrated. The area was practically rural, without any transmission, some of which dated to 1910, some in 1914, and perpetual franchises, and in one case the road was built over the township's one right of way. Instead [illegible] Alderman had been made to have the franchises uniform in point of expiration by.

Following dissatisfaction in the Rocky Ridge in connection with the operation of the Railway, in or about the year 1914, the desire to take over the railway and operate it for their own benefit grew in the local municipalities. It was claimed now, only that the service was bad, and the management arbitrary, but that the Company had refused from time to time to make the necessary extensions required to take care of the increasing population in the Towns. [illegible] [illegible] to enlarge the area of municipality [illegible] [illegible] [illegible] the act by a counter suggestion on the part of the Lieutenant Governor that he [illegible] [illegible] [illegible] [illegible].

Nothing further was done until 1917 when certain definite extensions to the Sandwich, Windsor & Amherstburg Railway were requested by the municipalities. The Railway Company refused to make any extensions without at the same time being granted an extension of ten years to their franchise. This extension of franchise was refused by the municipalities. The Company then endeavoured to compromise by agreeing to do the necessary work on the understanding that the ten years' franchise would be given, which franchise, however, could be terminated at any time on one year's notice being given by the municipalities. Even this compromise was not accepted by the municipalities.

It was then that the Windsor City Council sent a deputation to the Ontario Government to ascertain the ways and means by which municipalities could take over the Radial System on the expiration of the existing franchises, the object being to own and operate the System themselves. It was explained to this deputation that such matters were placed by the Ontario Government in the hands of the Hydro-Electric Power Commission. The deputation then consulted the Commission and requested the preparation of a complete survey of the radial railway situation in the Border Cities.

Following this the Commission sent engineers to Windsor to inspect and place values on the radial railways, as well as to prepare an estimate of the cost of the desired

Ev. 2467

extensions. The local manager of the System, however, refused to permit the valuation until the Detroit United Railways were definitely committed to a policy of sale, in consequence of which the engineer's estimates were never submitted to the municipalities.

The municipalities, however, continued to negotiate with Sir Adam Beck in connection with taking over the System. In May, 1918, representatives of the nine municipalities along the line of the Railway met in the City Hall, Windsor, and passed a joint resolution requesting the Commission to take over the Railway and operate it on behalf of the municipalities. Following this, resolutions were passed separately in all of the nine municipalities and forwarded to the Commission. At this time, the employees of the railway were on strike for higher wages which could only be granted, so the Railway Company advised, by an increase in fare. At that time fares were six for twenty-five cents, and, before giving the Company the right to collect a straight five cent fare, a By-law was prepared for submission to the people. There was a good deal of local feeling in connection with this By-law and during the campaign, prior to the vote being taken, Sir Adam Beck spoke, and pointed out that if the increased fare was permitted, the increased return to the Company would be capitalized and a larger price demanded when the municipalities finally took over the System. The By-law was defeated. The Ontario Rail-

way Board then operated the System for a period of approximately two weeks during which time an increase in wage was granted to the employees, and the road handed back to the Company for operation.

Early in 1919, the Detroit United Railways agreed, in principle, to a sale, and, following a valuation made by the Commission's Engineers, negotiations were conducted between Sir Adam Beck, as Chairman of the Commission, and the Vice-President of the Detroit United Railways. These negotiations, for the most part conducted verbally, and extending over a period of three months, resulted in an agreement to purchase the property, whereby the Detroit United Railways agreed to accept $2,039,000.00 worth of 4½% forty-year debentures of the Hydro Electric Power Commission, guaranteed by the Province of Ontario. EV. 2469

The necessary By-laws were submitted under the Provisions of the Hydro-Electric Railway Act to the nine municipalities and were passed in all except the Township of Anderdon, the proportion of which was shared amongst the other municipalities. P.W. p.4.

The necessary Order-in-Council, approving the "acquisition, construction, equipment and operation" of the Railway, the issuing of "bonds from time to time for the amount required for such undertakings", and the guarantee on behalf of the Province of "the payment of the bonds so P.W. p.4.

way Board then operated the system for a period of approximately two weeks during which time an increase in wage was granted to the employees, and the road handed back to the Company for operation.

Early in 1919, the Detroit United Railways argued, in principle, to a sale, and, following a valuation made by the Commission's Engineers, negotiations were commenced between Sir Adam Beck, as Chairman of the Commission, and the Vice-President of the Detroit United Railways. These negotiations, for the most part conducted verbally, and extending over a period of three months, resulted in an agreement to purchase the property, subject to the approval of the Ontario Legislature and the Ratepayers of Windsor, the ratification of which was secured without other material difficulties.

The necessary Order-in-Council, approving the "essentials", subject to certain conditions, was passed by the Legislature, the issuing of Bonds then took place, the necessary ratifying Act was passed, and the transfer of the property to the Commission was made on the 1st day of July, 1919.

Provisions of the Hydro-Electric Railway Act to the same effect, and were passed in 1921 except the Township of Ardtrea, the franchise of which was granted subject to other municipalities.

The necessary Order-in-Council, approving the "essentials", subject to certain conditions, was passed by the Legislature, the issuing of Bonds then took place, the necessary ratifying Act was passed, and the transfer of the property to the Commission was made on the 1st day of July, 1919.

issued by the Commission", was approved on the 27th of January, 1920. This also provided for the issue of the necessary underlying bonds by the municipalities.

Although the agreement to purchase was dated January 14th, 1920, the purchase was not completed until April 1st of that year.

Since the Railway System has been operated by the Commission there has been an almost complete rehabilitation of the roadbed, an extension of lines, provision of trackless trolleys, and a more frequent service is provided. The fares have been increased from six tickets for twenty-five cents to a drop fare of six cents or twenty tickets for one dollar.

PHYSICAL

The Railway comprises two divisions, one of which is operated as the Sandwich, Windsor & Amherstburg Railway and the other as the Windsor & Tecumseh Electric Railway. The Sandwich, Windsor & Amherstburg Railway, starting at Windsor, with a short line extending east to Walkerville, runs south a distance of 17.7 miles through the Town of Sandwich, the Township of Sandwich West, the Village of Ojibway, the Township of Anderdon and the Town of Amherstburg, the southern terminus of the Railway. This division also includes certain lines operated in the City of Windsor and the Town of Walkerville.

The Windsor & Tecumseh Electric Railway starting at Windsor extends easterly a distance of 9.72 miles through the Town of Walkerville, Ford City, Town of Riverside, Township of Sandwich East to the Village of Tecumseh, the eastern terminus of the Railway system.

The Commission put trackless trolley lines into operation on Lincoln Road in the Town of Walkerville on May 4th, 1922, and in the City of Windsor on August 3rd, 1922 P.W. p.7.

Certain changes have been made by the Commission in respect of the routing of cars. P.W. p.8

The Railway properties acquired by the Commission

consisted principally of the following:

Approximately 45 miles of track inclusive of double track, switches, etc.

26 single truck closed passenger cars
20 double truck open passenger cars
1 single truck open " "
10 double truck closed " "
1 private car
3 single truck box cars P.W.
1 double truck baggage car equipped with motor p.12
9 single truck flat cars
3 " " plow and construction cars
2 double " plow and construction cars
1 single " line car.

The Commission also acquired the following buildings:

In Windsor

Office and Freight Shed
Car House
Paint Shop
Repair Shop, Blacksmith Shop
Carpenter Shop, Boiler Room and Engine Room

In Tecumseh

P.W.

Waiting Room
Section-man's House p.13

In Amherstburg

Waiting Room
Small Freight Sheds

The following equipment has been scrapped and it is the opinion of the Superintendent of the Railway that it has little or no salvage value -

21 Open passenger cars
14 Closed " "
2 Box Cars
2 Flat Cars

associated principally on the following:

Approximately 45 miles of first Subsidiary or main track, structures, etc.

46 single track overhead crossings
27 double track open crossings bridge
1 single track open " " "
14 double track bridge " " "
1 viaduct over
4 single track bridges
3 double track bridges and subways for railway over
4 single track flat open
2 " " " open and construction open
2 double " " open and construction open
2 single " " open only.

The connection line required the following:

Buildings:

In Canada

Stations, one Freight Shed
Bus Sheds
Coach Shed
Engine Shed, Storehouse Shed
Locomotive Shed, Boiler Room and
Engine Room

In Germany

Station Shed
Station-master's House

In Switzerland

Station Shed
Small Freight Shed.

The following positions are now occupied in

In the minutes of the Superintendent of Bridges (1000 men) ?

Bus Lines or be minutes value -

1. Open overhead work
2. Closed " "
3. Open Shed
4. Shed Shed

The remaining cars taken over by the Commission have been rebuilt or repaired and are now considered to be in good operating condition. P.W. p.13

The Commission up to October 1st, 1922, purchased the following rolling stock: P.W. p.13

6 Second-hand double truck steel closed cars
6 Wooden trailers
17 One-man single truck safety cars
4 Trackless trolley busses
4 Double truck one-man safety cars
1 Double truck baggage car with motor equipment and trail car P.W. p.13 14

Details covering improvements made to the property by the Commission are shown on pages 14, 15, 16 and 17 of the report of Messrs. Price, Waterhouse & Company.

The improvements consist of very extensive changes to track and roadbed, erection of trolley wires for busses, the building of a new substation, installation of new bond wires, repairs to trolley wires, etc.

Power required in the operation of the railway is furnished by the Windsor Hydro-Electric System on a cost basis. P.W. P.67

The municipalities and area served by the railway are shown by the frontispiece.

GENERAL ECONOMICS

The following review of the general economics of the System is based on information obtained from the reports submitted by Messrs. Price, Waterhouse & Company, Auditors, and Messrs. Clarkson, Gordon & Dilworth, Auditors, together with evidence given at the public hearing held in connection with the System.

PURCHASE PRICE

The price paid for the System was $2,039,000.00 in forty year 4½% bonds of the Hydro-Electric Power Commission of Ontario dated April 1st, 1920, guaranteed by the Province of Ontario, and covers:

First, the Sandwich, Windsor & Amherstburg Railway, including all of the shares of its capital stock and all its physical assets, lands, rolling stock, buildings, apparatus, machinery, franchises, licenses, etc.

Second, the Windsor & Tecumseh Electric Railway, including all outstanding shares as well as its physical assets, franchises, etc. P.W. p.8

At the date of the purchase there were bonds, secured by trust mortgages, outstanding against these Companies to the extent of $789,000.00 as follows: P.W. p.31

1. Trust mortgage of the Sandwich, Windsor & Amherstburg Railway for $600,000.00 at 4½% maturing 1st of December, 1922.

2. Trust mortgage of the Windsor & Tecumseh Railway Company for $300,000.00, of which $189,000.00 was outstanding, at 5% maturing September 2nd, 1927. P.W. p.8

Under the terms of the purchase these bonds were not to be assumed by the Hydro-Electric Power Commission, but bonds of equivalent par value issued by the Commission and guaranteed by the Province were to be deposited in escrow both as to principal and interest with the National Trust Company, and handed to the Detroit United Railway Company as and when the $789,000.00 of outstanding bond issue of the Companies were retired.

At the time of the purchase, an issue of Hydro-Electric Power Commission bonds of $2,100,000.00 was made of which $1,250,000.00 par value were handed over to the Detroit United Railway Company, $789,000.00 par value deposited with the National Trust Company in escrow, as above stated, and the remaining $61,000.00 par value hypothecated with the Bank of Montreal as security for advances to provide for improvements and betterments of the Railway. Ev 2261 2262 P.W. p.10 p.21

The municipalities, pursuant to Section 11 of the Hydro Electric Railway Act, issued underlying debentures in the same amounts, respectively apportioned as to their shares in the capital cost and equipment of the Railway. These municipal debentures corresponded in terms to the debentures issued by the Hydro-Electric Power Commission. It is to be noted,

however, that in the Township of Anderdon the By-law was not passed so that its proportion, amounting to $143,536.00 was made up by the other municipalities. P.W. p.18

Included among the assets acquired from the Sandwich, Windsor & Amherstburg Railway was a local electric lighting system in the City of Windsor. As this lighting system was not of general benefit to the Railway, and in view of the desire on the part of the City of Windsor to acquire it, the system was sold by the Commission to the City for $190,000.00 of bearer bonds of the City of Windsor at 4½% maturing April 1st, 1960. It is to be noted that Windsor now owns and operates its electric lighting system on a standard Hydro-municipal basis, purchasing its power from the Niagara System at cost. Ev. 2282 P.W. p.11 H.E.P.C. Rep. 1921 p.102

APPRAISAL OF PROPERTIES

The appraisal of the Railway properties by the Engineers of the Commission determined the value of the physical properties including the electric lighting system in the City of Windsor to be $1,637,088.45, and the balance of $401,911.55 going to make up the total purchase price, was considered by them as the value of the intangibles acquired in connection with the purchase of the Railway properties. The following is a summary of the appraisal by

Among the assets acquired from the Windsor & Amherstburg Railway was a local electric lighting system in the City of Windsor. As this lighting system was not of general benefit to the Railway, and in view of the claims on the part of the City of Windsor to acquire it, the system was sold by the Commission to the City for $150,000.00 of bonds issued by the City of Windsor at 4½% maturing April 1st, 1922. It is to be noted that Windsor now owns and operates its electric lighting system as a municipal Hydro-municipal board, purchasing its power from the Niagara System at cost.

FINANCIAL RESPONSIBILITY

The apprehensions of the Railway properties by the Engineers of the Commission determined the value of the physical properties including the electric lighting system in the City of Windsor to be $1,027,000.00, and the balance of $401,311.85 going to make up the total purchase price. This was considered by them as the value of the information acquired in association with the purchase of the Railway properties. The following is a summary of the expenditures by

the engineers:

Property	Present Value	
Ways and Structures	$1,229,829.01	
Equipment	206,968.79	
Spare Equipment	10,290.65	
	$1,447,088.45	P.W. p.23, 24.
Power and Light System in the City of Windsor	190,000.00	
	$1,637,088.45	
Intangibles	401,911.55	
Purchase Price of Property	$2,039,000.00	

It should, however, be noted that as of April 1st, 1920, the Provincial Government bonds of forty year maturity were being sold to yield approximately 5.6% so that the actual cash value of the Power Commission's 4½% bonds, guaranteed by the Province, and handed over as the purchase price was approximately $1,651,590.00. It may be stated in consequence that the amount actually paid in cash for the System was only slightly more than the physical valuation made by the Commission's Engineers. P.W. p.24 Ev 2291

The Chief Engineer of the Commission in his evidence stated that the value, including the local electric light system, upon which the purchase was concluded was $1,779,430.53. This figure does not agree with the valuation submitted by the Railway Department of the Commission as used by Messrs. Price, Waterhouse & Company, and which Mr. Gaby described as "simply an arbitrary departmental memo." This memorandum was apparently prepared for the purpose of Ev 2471-2491

arriving at a figure against which depreciation should be charged, and was made after the purchase of the System. It took into consideration the sale of the local electric system in Windsor for $190,000.00, and also the writing down of certain rolling stock of the Railway.

It will be seen by the following comparison that the difference in the appraisal figures submitted by Mr.Gaby and those quoted by Messrs. Price, Waterhouse & Company has no material effect on the matter in question, viz: the amount of the intangibles:

		Per Mr.Gaby's Evidence	Per P.W. & Co. Report
Gross		$1,779,430.53	$1,637,088.45
Deduct			
Difference between reproduction and selling value of local electric system sold to the City of Windsor	$80,193.38		
Difference between appraisal and present value of rolling stock	40,006.65	120,200.03	
		$1,659,230.50	$1,637,088.45

Ev 2484

Net Difference - $22,142.05

CAPITAL ASSETS

In view of the fact that the Commission is operating the Railway System under the two existing charters, and by virtue

of owning capital stock in both companies, the existing companies' books have had to be carried on. The total investment in capital assets as of October 31st, 1922, is shown to be $2,629,129.16 made up as follows:

Book value at date of purchase of properties acquired from the Railway Companies, including the Windsor City Distribution System less $100,000.00 capital stock in Tecumseh Electric Railway Company, which has no apparent value, in all	$1,729,839.58	
Less local electric System sold to the City of Windsor	190,000.00	
	$1,539,839.58	P.W. p.24
Expenditures during the period from April 1st, 1920, to October 31st, 1922, including construction materials on hand but not used at the latter date	1,089,289.58	CG&D F248A s.1
TOTAL Capital Assets	$2,629,129.16	

Attention is called to the fact that the book value of $1,729,839.58 at date of purchase, April 1st, 1920, represented the assets for which the Commission issued bonds in the amount of $2,039,000.00, to which investment must be added subsequent expenditures of $1,089,289.58 less the $190,000.00 representing the selling price of the local electric system. On this basis the Commission's investment at October 31st, 1922, was approximately $2,939,000.00. It should be explained that the difference of approximately $310,000.00 between the total capital assets and the Commission's investment arises from the fact that the books of the Railway Companies are based on the

of owning capital stock in both companies, the selling companies' book values to be brought in. The book values appear in parallel columns on the balance sheet, 1929, as above in the [illegible]:

Book value as auditors of selling companies, acquired from the Railway Companies, including the Minister Clay Pipe Company in Quebec Less $100,000.00 capital stock in Canadian Financial Holding Company, [illegible] to be [illegible] present value, in all	$1,[illegible],[illegible].00
Less Final dividend Bryton sold to the City of Montreal	[illegible]
	$1,[illegible],[illegible].00
Expenditure, [illegible] from April 1st, 1929, including [illegible] and the [illegible] made at the latter date	1,[illegible],[illegible].00
Total Capital Assets	$[illegible],[illegible],[illegible].00

Attention is called to the fact that the book value of $1,[illegible],[illegible].00 at date of purchase, April 1st, 1929, represented the assets for which the commission issued bonds in the amount of $1,000,000.00, to which investment must be added expenditure of $1,[illegible],[illegible].00 from the $100,000.00 representing the selling price of the local electric system. On this basis the Commission's investment at October 31st, 1929, was approximately $1,[illegible],000.00. It should be remembered that [illegible] assets in the Commission's investment arises from the fact that [illegible] the selling Companies are based on the

book value at April 1st, 1920, whereas the Commission's investment is based on the purchase price at that date. The following statement will make this clear:

Purchase Price	$2,039,000.00
LESS selling price of local electric system	190,000.00
	$1,849,000.00
Book Value April 1, 1920, per Railway Companies' books	1,539,000.00
	$ 310,000.00

REHABILITATION

Directly the Commission took over the System, a survey of improvements and extensions needed to meet the demands of the community was undertaken, and rehabilitation commenced. During the first seven months, ending October 31st, 1920, $227,612.30 was spent. Of this amount $200,000.00 was obtained from the Bank of Montreal being collaterally secured by the deposit of $61,000.00 of the Commission's bonds (the balance of the issue made over and above the amount required for the purchase price) together with $190,000.00 of Windsor bonds obtained from the sale of the local electric distribution system.

Meanwhile, a complete survey had been made of the necessary improvements and in June, 1921, a circular letter was sent from the Commission to the various municipalities

enclosing a report. Improvements estimated to cost $893,580.00 were suggested for which a bond issue of $900,000.00 was required. This amount was apportioned in the same way as the original issue and the necessary By-laws passed in the municipalities, for the deposit of the underlying municipal debentures. A request from the Commission for this issue of Commission bonds to be guaranteed by the Government was also made to the Ontario Government at this time, and pursuant to a request of the Premier, a complete report on the System and contemplated expenditure was furnished by Messrs. Clarkson, Gordon & Dilworth. CG&D letter

The issue of $900,000.00 of 6% forty year bonds of the Commission was made July 1st, 1921. These bonds were not sold at that time owing to the high yield rates demanded, but in October of that year $440,000.00 worth were pledged with the Bank of Montreal as collateral for a loan of $400,000.00. Subsequently, the whole of the $900,000.00 issue was sold and the Bank's loan paid off. Owing to the reduction of the interest rate, these bonds were sold at a premium and realized $974,025.00 which along with the sum of $200,000.00 borrowed from the Bank of Montreal, made a total of $1,174,025.00 available to the Railway. The expenditures by the Commission on rehabilitation to 31st October, 1922, were as follows:- Ev. 2290 F248A S.1

7 months ending Oct.31st, 1920...	$227,612.30
Year ending October 31st, 1921...	287,340.88
Year ending October 31st, 1922...	519,285.21
	1,034,238.39

CG&D letter

This amount does not take into consideration the sum of $55,051.19 which was invested in construction materials for the system as at October 31st, 1922, and which had not been used at that date. CG&D F248A S.1

Mr. Gaby stated in his evidence, that in addition to the new cars purchased for the System, there was practically a 90% rehabilitation of the road. Ev. 2499

RESULTS OF OPERATION.

The operation of the Railways for the period from April 1st, 1920, to October 31st, 1922, including provision for renewals throughout, resulted in a net loss of $84,507.37 P.W. P.36-40

A summary of the operations by periods is as follows:- CG&D F248A S.4.

	Profit	Loss
7 months ending Oct.31st, 1920	$22,078.29	
Year ending October 31st, 1921		$55,636.37
Year ending October 31st, 1922		50,949.29

Net Loss - $84,507.37.

As of October 31st, 1921, there was a balance in the renewal account of $47,202.88, and a loss in operation to that date amounting to $33,558.08. If the providing of a reserve for renewals was necessary under the provisions of the Hydro Electric Railway Act, and if the provision of such a reserve would create a deficit, the loss should have been taken up pro rata by the municipalities, but this was not done by the Commission. Instead the renewal was used to absorb the loss

in operation, leaving a balance of $13,644.80 in the renewal account which was in effect transferred to the surplus account. While no definite policy at that time had been decided upon by the Commission, it is a fact that no provision for renewals was made for the fiscal year ending October 31st, 1922. CG&D F248A S. 3

At a meeting of the Commission held on December 13th, 1922, pursuant to a report of the Chief Engineer, the policy that no provision for renewals should be charged against a railway, during the period of rehabilitation, was decided. In view of this decision a summary of the operations by periods, not including provisions for renewals, is as follows: P.W. p.39

	Profit	Loss
7 months ending Oct. 31, 1920	$38,146.79	
Year ending October 31, 1921		$24,501.99
Year ending October 31, 1922		5,895.41
Net Profit - $7,749.39		

P.W. p.40 CG&D F248A S.3.

In consequence of making no provision for renewals during rehabilitation of the Railway, which, according to the evidence of Mr. Gaby, was completed on November 1st, 1922, a surplus of $7,749.39 is shown at that date. Ev. 2295

SINKING FUND

No provision has been included in the cost of operation for sinking fund for the retirement of bonds issued by the Commission. Under the terms of the agreement P.W. 37

covering the operation of the Railway, provision for sinking fund is not required to be made until the expiration of ten years from April 1st, 1920.

RENEWAL RESERVE

As pointed out in Results of Operation above, no provision for renewal reserves has been made by the Commission during the period of rehabilitation of the Railway. As previously pointed out the Commission provided a renewal reserve for the first nineteen months of operation, which reserve was later credited back to operations. If provision had been made during this entire period for renewals, on the same basis as during the first nineteen months' operation, the renewal reserve credit as of October 31st, 1922, would have amounted to $92,256.76, and operations to that date would have shown a loss of $84,507.37. C.G.&D F248A S2

RESERVE FOR CONTINGENCIES

No reserve has been created for contingencies.

INSURANCE

The Commission paid the following amounts for insurance to October 31st, 1922:

7 months ending October 31, 1920	$14,495.52	P.W.
Year " " 31, 1921	26,482.37	Ex. 3B
Year " " 31, 1922	24,564.17	F248A
		S.3

From information obtained from the insurance department of the Commission, these premiums cover approximately:

Fire Insurance on buildings and office furniture (including plate glass)	$240,000.00
Burglary, Messenger & Office Robbery	20,000.00
Fire Insurance on rolling stock.	525,000.00
Fire Insurance on car barns, distribution station and River House. . . .	180,000.00
Insurance against bodily injury, including death to public and employees,-	
Maximum to one person	5,000.00
Maximum to any number of persons. . .	10,000.00
Insurance against damage to public property,- a maximum of	1,000.00

CAR MILEAGE COSTS

The following is a comparison of revenue and operating expenses per car mile for the fiscal year ending October 31st, 1921, and for the eleven months ending September 30th, 1922.

	Fiscal Year ending Oct.31,1921	Eleven Months ending Sept.30,1922
Revenue per car mile	38.10 cents	37.84 cents
Operating expenses per car mile	32.39 cents	30.27 cents.

The decline in revenue per car mile is attributable to the increased number of car miles operated and not to a decline in the amount of revenue, while the reduction in operating expenses per car mile is due to a large extent to the

operation of one-man safety cars, and to the improved condition of the railway, resulting from the new equipment purchased, and to the betterment of the roadbed. The increase in number of car miles operated also has the effect of reducing the operating expense per car mile. P.W. P.38

GENERAL RELATIONS.

STATUS AND RELATIONSHIPS.

Under the Hydro-Electric Railway Act, all the works, property and effects acquired, operated and maintained by the Commission are vested in the Commission on behalf of the municipalities involved. In the case of this purchase however, owing to the outstanding bond issues of the two Companies (amounting in all to $789,000.00 par value), the Commission is in the position of having to continue operations under the existing charters of the two Companies, until December 1st, 1927. The Commission has elected its own Boards of Directors to carry on the affairs of the two Companies, the members of each of the two Boards being members or employees of the Commission, and being in each case identical. No remuneration is paid to any of the Directors of these Companies by virtue of their office in addition to the regular remuneration received as employees or Commissioners of the Hydro-Electric Power Commission of Ontario.

P.W. P.19 20,21.

It is pointed out in the 1921 Report of Messrs. Clarkson, Gordon & Dilworth, that there is no provision in the Ontario Hydro Electric Railway Act which permits the purchase by the Commission of shares of a railway Company, or the carrying on of such an undertaking under the Railway Company's name.

Broadly speaking the Commission may be considered

to be the trustee for the municipalities for the operation, management and maintenance of the System, and to the Province to the extent of the liability of the Province in respect of its guarantee of the bonds of the Commission.

OPERATING AGREEMENT.

The agreement under which the Commission operates the Railway system is in the usual form referred to in Section 4, subsection 3, and fully set out in Appendix "A" of the Hydro Electric Railway Act. Under this agreement, the Commission agrees to construct, equip and operate the Railway, issue bonds to cover cost of constructing and operating the Railway, and to apportion annually the capital cost and operating expenses of all works, etc. The municipalities on their part agree to bear the cost not only of construction and operation, but maintenance, repair and renewal of the works as established by the Commission, and also to issue municipal debentures as collateral security for the bonds issued by the Commission, which debentures may be realized by the Commission in the event of the municipalities failing to meet their obligations.

P.W. P.11 12

Ev. 2283.

TAXES

Taxes are payable by the Hydro-Electric Power Commission under Section 12 (a) of the Power Commission Act. Under this section, only lands are taxable, the Commission being exempt from taxes on buildings, machinery, works,

structures, rails, ties, poles and other works or improvements owned by the Commission.

The Commission is also liable for a business tax where the actual business of the Commission is conducted whether such premises are owned or rented.

When the Commission took over the Railway System in 1920, taxes were adjusted and the Commission paid their proportion for the remaining seven months of the fiscal year amounting to $3,888.33. The following year the provisions of the Power Commission Act were applied and the taxes were reduced to $4,503.02. In the fiscal year ending October 31st, 1922, the taxes amounted to $3,471.94, and during this year, according to evidence the sum of $70,000.00 was charged against the City of Windsor in connection with street paving between the rails. If this work had been done when the system was owned by the original Company, the cost would probably have been borne by the Company.

CG&D letter

EV. 2375

Attention is also drawn to the fact that the Commission is exempt from payment of the Provincial tax under Section 4, Subsection 7, R.S.O., Chapter 27,

Corporation Tax Act, which provides in the case of street railways for the payment of a tax of $45.00 for each mile of track when the mileage is between thirty and fifty miles.

As the Commission is operating this Railway System under the existing corporations known as the Sandwich, Windsor & Amherstburg Railway and the Windsor & Tecumseh Electric Railway, there appears to be some question as to whether or not the provisions of the Power Commission Act with respect to taxes payable should be applicable. It may be pointed out, however, that as the System is run for the benefit of the municipalities and on a cost basis, the amounts payable by the Companies to the municipalities in taxes would have to be made up in increased fares.

FARES

At the time the System was taken over, the fares charged were a cash fare of five cents or a ticket fare of six for twenty-five cents. These rates held until July 1st, 1921, when a straight five cent fare was put into effect. These fares continued until November 1st, 1922, when the cash fare was increased from five cents to six cents and the ticket fare to twenty tickets for one dollar or six tickets for thirty-five cents.

P.W. p.37 Ev 2501 2502

The two trackless trolley lines put into operation in May and August, 1922, respectively, demanded an additional

fare so one cent extra was charged for a transfer. Certain representations were made to the Commission by the municipalities that the understanding had been that the trackless trolley should not charge anything additional for a transfer. This was met by increasing the fares to six cents throughout. Ev. 2506

SERVICE

There have been a number of complaints from the municipalities in the Border Cities in regard to service, the chief of which is that the schedules are not maintained, and that the efficiency of the System is consequently impaired by reason of the bunching of cars. It has been pointed out that while there are a greater number of car miles at the present time than under the System before it was taken over, there is not a proportionate increase in service which the increase in car miles would lead one to believe. Although statements have been produced from checkers which show on the whole maintenance of schedules, still in view of the number of complaints, brought forward at Windsor, it is reasonable to assume that more efficient operation of the System can still be looked for. Ev. 2333 2338 2349 2350 2355 2385 2445

The Commission, of course, state that since they took over the System, they have been continuously engaged in

rehabilitation, and, in consequence, the operation of the System has been seriously impaired up to the present, but that, with the System in its present condition, there should be no future cause for complaint so far as schedules are concerned. There has also been some criticism directed against the operation of one-man cars.

Questions generally with regard to the service of the road have, up to the present, been dealt with by the local municipal Councils and the Commission direct. A suggestion was made in Windsor that a joint Transportation Committee might be formed from all the municipal Councils so that the municipalities could deal as a whole with the Commission and in this way avoid unnecessary delays in dealing with general questions of policy. With this joint Committee established, criticisms of lack of frankness and arbitrary dealings with the municipalities should be largely eliminated.

SWITCHES

There are four switches which have been built at the instance of private companies and attached to the Railway System. These switches have been paid for entirely by the Companies at whose instance they were constructed and the necessary by-laws requesting the construction of these switches have been approved in the local municipalities. Two of these switches were put in by the British-American

Brewing Company and one by the St. Clair Export Company. The switch to the end of the wharf has also been paid for by the British-American Brewing Company. The rates charged for the class of goods handled is an express rate of 12½¢ per one hundred weight. The revenue from this source amounts to nearly $100.00 a day and there is no question that the handling of this type of freight is entirely at the request of the municipalities.

EV. 2517

EV. 2523.

COPY

LEGAL ISSUES.

Opinion of - Mr. J. A. McAndrew.

The Hydro-Electric Power Commission of Ontario is created and constituted under the provisions of "The Power Commission Act" (R.S.O. 1914, Cap.39 as amended). This is an Act to provide for the transmission of electrical power to municipalities, and sets out at length the constitution, rights and powers of the Commission and deals as well with the ways and means of acquiring property, raising funds, supplying individual users and the control and regulation of works by the Commission. The Act also sets out the relations between the Commission and the Provincial Government on the one hand and the various municipalities with which the Commission deals on the other.

Among the powers of the Commission under the Power Commission Act is the right to acquire lands either by purchase or expropriation upon the authorization of the Lieutenant-Governor in Council (Section 8) and to use them for any of the purposes of the Commission.

The lands owned by or vested in the Commission are subject to assessment and taxation for municipal and school purposes at the actual value thereof according to the average value of the land in the locality, but this land is not to include buildings, machinery, rails, ties or works, etc.owned, used or controlled by the Commission (Sec.12 a ss2). These are exempt from assessment or taxation.

The Hydro-Electric Railway Act (4 George V. Cap.31 with amendments) was passed respecting the public construction

[illegible]

[illegible] of - [illegible]

The Hydro-Electric Power Commission of Ontario is created and operates under the provisions of "The Power Commission Act" (R.S.O. 1914, Cap. 4 as amended). This is an Act to provide for the transmission of electrical power to municipalities. [illegible] but it lengths the commutation, slightly and provides for the transmission and lands as well with the usage and means of [illegible] generally, [illegible] individual users and the control and regulation of usage by the Commission. The Act also sets out the relations between the Commission and the Provincial Government on the one hand and the various municipalities with which the commission deals on the other.

Among the powers of the Commission under the Power Commission Act is the right to acquire lands above by purchase or expropriation upon the authorization of the Lieutenant-Governor in Council (Section 8) and to use them for any of the purposes of the Commission.

The lands owned by or vested in the Commission are subject to assessment and taxation for municipal and school purposes at the actual value thereof according to the average value of the land in the locality, but this land is not to include buildings, machinery, etc. [illegible] assessed by the Commission (Sec. 12 c sub). These are [illegible] assessed [illegible].

The Hydro-Electric Railway Act (3 George V. Cap. 83 with [illegible]) was passed respecting the public conveyance

and operation of electric railways. This Act imposed further duties upon the Hydro-Electric Power Commission to enable municipal corporations to acquire or operate electric railways under the direction of the Commission. The intention of this Act was that the whole cost of any railway for the benefit of the municipalities should be borne by the municipalities themselves, and that no liability should be attached either to the Commission or the Province in respect of any such railway system. In order, however, that the necessary funds for such work or purchase might be obtained in the least expensive manner, provision was made whereby the Commission should issue its own bonds guaranteed by the Province, and supported in each case by a similar issue of municipal debentures underlying such issue and proportioned among the interested municipalities.

For this reason, properties acquired by the Commission under the provisions of the Hydro-Electric Railway Act are vested (Section 17) in the Commission in trust for the Corporations parties to the agreement for the construction and operation of the Railway. Thus, while the Power Commission Act creates the Commission and defines its rights, powers, liabilities and limitations under that Act, the Hydro-Electric Railway Act provides a means of bringing certain municipal co-operative schemes with respect to electric railways under the jurisdiction of the Commission in accordance with and subject to the provisions of the Hydro-Electric Railway Act. The Hydro-Electric Railway Act sets out the relation existing between the Commission and the municipalities so far as the railway is concerned by means of a standardized form of agreement.

Under Section 12 the Commission is authorized to construct, complete, equip, maintain and operate the railway as provided by the agreement and for that purpose has all the powers, rights, immunities and privileges of a company incorporated by Special Act for the construction of a railway under the Ontario Railway Act so far as the same is applicable. The Power Commission thus in effect becomes a corporate body exercising the powers of a railway company under the Ontario Railway Act and with duties powers and jurisdiction limited in the same manner and to the same extent as other railway corporations operating under the Ontario Railway Act.

The Hydro-Electric Railway Act was repealed by the Municipal Electric Railway Act of 1922 (12-13 George V. Cap.69) but in this latter Act exemption is made of the Sandwich, Windsor and Amherstburg Railway and the Windsor and Tecumseh Electric Railway "inter alia" (Sec.29 ss.3) so that the provisions of the Hydro-Electric Railway Act in so far as they apply to these railways still remain in full force and effect so far as maintenance and operation are concerned.

It would appear that the provisions in the Power Commission Act with respect to assessment of the Commission's lands. has no application to railways under the Hydro-Electric Railway Act - the assessment and taxation of which is governed by the General Assessment Act.

SUMMARY

ORIGINAL NEGOTIATIONS

It is very apparent from a study of all conditions which led up to the final purchase of the privately owned railway systems serving the Border Cities that there was a very strong feeling in these municipalities that the railways as operated under private ownership were not giving service which would properly meet the requirements of the district.

The City of Windsor appears to have taken the leading part in promoting the idea that the Border Cities should own their own transportation facilities and as early as 1914, it is to be noted that a resolution of the Windsor Council was passed requesting the Commission to prepare estimates and report on the construction of an electric railway running from Ojibway through Windsor and Walkerville to Belle River. Following this other resolutions were passed in 1915 by the City of Windsor and other municipalities indicating the desire of the municipalities concerned that the Commission should prepare estimates,and report on the feasibility of an electric railway serving the district, presumably in opposition to the existing railway.

Following this a period of almost two years elapsed during which nothing of any moment was apparently done by the

Commission or the municipalities in making effective the acquisition of the existing railway facilities or the construction of new roads.

The question again became an active issue in 1917, during which period further representations were made, resolutions being renewed in 1918. Finally in September of that year the Commission's Engineers made a tentative valuation which was not considered satisfactory for submission to the municipalities in as much as it was made without the Railway's co-operation.

The matter again lapsed until the Spring of 1919 when a joint municipal Council met at Windsor and again passed resolutions requesting the Commission to make an inventory and valuation and commence negotiations having in view the taking over of the Sandwich, Windsor & Amherstburg Railway. Up to this time, the Detroit Electric Railway Company, which controlled the transportation properties, serving the Border Cities, had not committed itself to a policy of sale and on July 7th, at the request of the Railway Company, a By-law was submitted permitting the Company to increase the fares on the system in return for which certain extensions were to be made to give better service. This By-law was defeated after a vigorous campaign and its defeat was undoubtedly due in a large measure to the part taken by Sir Adam Beck, who took the stand and advised the

citizens that, should they permit an increase in fares, the Railway Company would capitalize such increase and the municipalities, when they eventually took over the road, would have to pay an increased price for the road.

Following the defeat of the By-law, negotiations for the purchase of the road were continued in 1919 chiefly by Sir Adam Beck acting for the municipalities at their request. Undoubtedly the price paid for the road was in excess of its value and Sir Adam Beck himself stated in evidence that "it may be an excessive price", however after consultation with and urged by representatives of the municipalities concerned he recommended the purchase of the properties at a price of $2,039,000.00, payable in Hydro-Electric Power Commission 4½% forty year bonds

Ev C.O.S. p.1605

R. p.14

In summing up the negotiations it is to be noted that the Commission's connection with the sale of the properties was brought about by repeated representations by the municipalities that the Commission should act on their behalf, such representations being supported by resolutions from all of the municipalities concerned. It is undoubtedly true that the attitude of Sir Adam Beck and the public statements made by him during the vote on the by-law in reference to increased fares to the Company was largely responsible for the defeat of the By-law, and the question arises as to the

propriety of such action being taken by a member of a Commission which in effect is to a very large extent a Department of the Government and it is arguable that action of this kind taken by a Government appointed Commission may be construed as Governmental opposition to private interests.

PURCHASE PRICE AND CAPITAL ASSETS.

As pointed out in the Chronological Chart and Historical Review, the Commission in the early stages found it impracticable to complete a valuation of the Railway Systems due to the fact that the Railway Company would not lend its co-operation to this end. Whatever valuations were made, however, were apparently sufficiently complete to lead Sir Adam Beck to make the statement that the price may have been excessive. At the time the properties were acquired, the capital assets were placed on the books of the Companies at $1,637,088.45, plus intangibles to the extent of $401,911.55 making up the total purchase price of $2,039,000.00. Mr. F.A.Gaby in his evidence stated that the physical value of the properties on the books of the Commission did not represent the valuation used by them when the purchase was under consideration, and that the negotiations were carried on using a valuation of $1,779,430.53. According to his own evidence,

C.O.5
P.1605

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P.17

however, Mr. Gaby's figures are subject to certain adjustments and, as will be seen from the analysis on page 18 of this report, the figure actually quoted by him has to be reduced to $1,659,230.50. It is therefore clear that if Mr. Gaby's valuation is used the intangibles would still be approximately $400,000.00.

Our Auditors state, as shown in the Section entitled "General Economics", that the cash value of the $2,039,000.00 issue of 4½% forty year debentures at the time of purchase was approximately $1,651,590.00. In this way it would not appear that the actual amount paid on a cash basis for the system was very much in excess of the physical value of the properties. On the other hand, it is clear from the evidence and from an examination of expenditures subsequently made by the Commission that the road was in a very bad state of repair and Mr. Gaby, in supporting the expenditures made by the Commission and in an endeavour to show that it was practically impossible for the Commission to show good operating results since the acquisition of the road on account of rehabilitation, stated that there was practically a 90% rehabilitation of the road. Making every allowance for new work, such as extensions and the cost of trackless trolleys, it is evident that the road was in a very rundown condition according to the standard

R. p.17

R. P.22

set by the Commission, and on this basis the valuation made by the Commission, and the price paid for the road by them was undoubtedly high considering the condition of the road. It is to be noted that the money spent in respect of rehabilitation to October 31st, 1922, amounted in all to $1,034,238.39, which is equal to approximately 65% of the cash purchase price. R. P.21

REHABILITATION

As pointed out the amount of money spent by the Commission in respect of rehabilitation was $1,034,238.39, a sum representing approximately 65% of the cash purchase price or to use Mr. Gaby's terms, there was practically a 90% rehabilitation of the road. Ev. P.2499

In 1921, the Commission made a report to the municipalities with regard to improvements which were estimated to cost $893,580.00 and for which an issue of 6% forty year bonds of the Commission in the amount of $900,000.00 was made. R. p.21 As the expenditures exceeded the estimates by approximately $140,000.00 it would appear that the expenditures were underestimated by approximately 13%, which may not be considered a great variation having regard to the extent and nature of the work.

The Commission, following the policy adopted by them in the construction of power developments, apparently looked first to the maximum efficiency in operation and permanency of construction with little or no regard to those considerations which are of prime importance to privately-owned enterprises. The cost of any work done by the Commission must of necessity be met by the municipal owners of the undertaking, either by an increase in the fares or by cash advances to meet the deficits, failing the payment of the deficits by the municipalities the Commission can realize on the underlying municipal bonds.

The work of rehabilitation carried on by the Commission has given to the municipalities a road of undoubted excellence both as regards operation and permanency of construction. From evidence taken at the public hearing held in Windsor, it would appear to be very doubtful, however, if the increased efficiency of service made possible by the expenditure of so large a sum of money has produced such an additional efficiency in the service as to warrant the expenditure so made. Various witnesses from Windsor and locality, while admitting that efficiency of service under the direction of the Commission was considerably better than under the old form of management, stated that there was still very much to be desired in the way of service rendered the municipalities.

RESULTS OF OPERATION

As will be noted from the Section entitled "General Economics" during the first year of operation by the Commission during which period the railway was operated largely on the old basis of management followed by the Detroit United Railway Company, a substantial profit of $22,078.29 was experienced. From that time on losses were experienced each year resulting in an accumulated deficit as of October 31st, 1921, of $84,507.37. It is to be noted that instead of charging this operating loss to the municipalities and obtaining cash advances from them to cover the same and in default of such payment selling the necessary amount of municipal bonds held by the Commission as collateral security to meet such an amount, the loss was met by surplus funds which, in the regular way, would have gone toward the building up of a substantial reserve in respect of renewal and contingency funds.

R. p.22

R. p.23

The Commission in their evidence endeavoured to justify their action, in respect to using the surplus funds to meet deficits, on the basis that the road was being rehabilitated and it would be unfair to charge renewal and contingencies reserve against an undertaking which was practically being rebuilt. Our Auditor has stated that such practice is in principle wrong, and renewal reserve should have been charged from the commencement on some fair and

equitable basis. Where an enterprise is in operation and at the same time being partially constructed and rehabilitated the proper procedure is to make a fair and equitable division of the capital, charging renewals and contingencies against that portion in operation, and eliminating renewals and contingencies on that portion still under construction, the interest in the first case being charged to operation and the interest in the second case being capitalized and charged against construction. Thus to the extent that the capital investment in the road should have been subdivided and renewals and contingencies charged and carried on the books, then to this extent renewal reserves and reserves for contingencies should have been set up and the deficits in consequence of such proper procedure been charged against the municipalities and paid for by them.

SINKING FUND RESERVES

The Hydro-Electric Railway Act provides for deferment of sinking fund in respect of railway operations for a period of ten years. The Commission in the operation of this Railway Company availed itself of this provision of the Statute. Consequently reserves for this account have not been set up.

Otherwise the operating deficit of the road would be materially

increased and the charges to the municipalities more burdensome than they otherwise would be.

It is pointed out that there is a distinct difference between the Hydro-Electric Railway Act and the Power Commission Act in regard to provisions of Sinking Fund.

The latter Act provides for the deferment of Sinking Funds for a period of five years and municipal corporations are required to pay into the cost of power an amount which will amortize their expenditures at the end of a period of thirty years following the five year deferment period. Under the Hydro-Electric Railway Act the deferment period is ten years and the period of amortization forty years after the expiration of the deferment period. Thus under the Hydro-Electric Railway Act two benefits accrue to the municipalities, namely, a longer deferment period and a longer amortization period which have the effect, with money at 4%, of reducing the charges from 1.8% to 1% which amounts to a reduction of approximately 60%.

Sec. 23

Sec. 9

RESERVES, RENEWALS & CONTINGENCIES

As pointed out in the subsection entitled "Results of Operation", no funds have been set aside in respect of sinking fund and contingencies reserve. As pointed out in "General Economics", a certain amount of insurance is carried by the Commission in respect to the properties and to the extent that they are covered, this, in effect, provides for losses which may be included under the general heading contingencies. It is pointed

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out, however, that the total amount of liability insurance recoverable is comparatively small amounting to a maximum of $10,000.00 for two persons. The total amount spent in respect of all insurance premiums year by year is given on page #24 of "General Economics" and amounts to a total of approximately $65,000.00 at October 31st, 1922. This is a considerable sum for a period of two years and seven months and serious consideration should be given to the desirability of the Commission carrying its own insurance and at the same time setting up a contingencies fund that would take care of extraordinary losses.

With respect to renewals reserve the details have been generally discussed in subsection entitled "Results of Operation". In order that the Railway may be on a sound operating basis reserves for renewals should be set up and carried along year by year in the usual way. There are probably few public utilities that depreciate more and in which the question of obsolescence of equipment enters more fully than electric railway properties. The average wear and tear on roadbed and equipment is very great and obsolescence of rolling stock is a matter of such apparent evidence that it requires no further comment in supporting a renewal account that will take care of such costs.

R.
P.22

EFFICIENCY OF OPERATION.

As pointed out in other Subsections, the feeling generally obtaining in the district is that the efficiency of operation has not reached that state which gives satisfaction to the municipalities who have jointly and severally committed themselves to all expenditures in respect of the undertaking. The Commission, in an effort to reduce operating costs, have installed one-man cars and while certain witnesses have expressed their disapproval of this modern type of equipment, it is felt that if the use of such cars will reduce the operating expenses, their use is entirely justified. As a matter of fact, as pointed out in "General Economics" the operating costs per car mile dropped from 32.39 cents for the year ending October 31st, 1921, to a cost of 30.27 cents for the eleven months ending September 20th, 1922. It is pointed out that the revenues per car mile have also dropped from an amount of 38.10 cents per car mile at October 31st, 1921, to 37.84 as at September 30th, 1922. If proper reserves for renewals and contingencies had been made operating costs would have been proportionately increased. R. P.25

INCREASED FARES.

Evidence submitted goes to show that when the Commission contemplated taking over the road as trustees for the municipalities, they were given reasonable assurance that fares would not be increased. As pointed out EV. 2336

in "General Relations" the fare charged by the original owners just prior to the acquisition of the enterprise by the municipalities was a straight fare of five cents or six fares for twenty five cents. In July, 1921, the Commission, faced by increased operating expenses, cancelled the option to buy six fares for twenty-five cents and established a straight five cent fare. A further increase was made in November, 1922, when the cash fare was increased to six cents, twenty fares being obtainable for one dollar. It is pointed out that considering the new fare rate from the standpoint of twenty tickets for one dollar, little or no increase was made, but from the standpoint of actual conditions it is shown that in small places, the sale of tickets is a relatively small matter, the use made of the car service by the residents being more or less haphazard with the result that cash fares form a large bulk of the revenue. In this way, the increase in fares on the cash basis to six cents was of material importance and very unfavourably viewed by the residents in the district.

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SERVICE SIDINGS

The construction of service sidings to brewery warehouses at Windsor has given rise to considerable comment in the press, and the Commission is receiving attacks from various sources on account of the facilities given to this industry.

It would appear that the operation of such sidings is entirely legal, that the municipalities were in entire accordance with the operation, and that such sidings and facilities were paid for by the companies for whose use they were constructed. As pointed out on page 33 of this Report, the revenue produced by freight and express so handled results in a daily profit of probably $100.00.

The only point at issue in this respect is a consideration of the situation created and the peculiar condition obtaining whereby a Commission, Government appointed, traffics in a business which the Government is endeavouring to put down. It would not appear fair, however, to place any restrictions on the Commission or the municipalities in this respect, unless such restrictions are made entirely general for all other enterprises of like nature operating within the Province.

TAXES

The Commission enjoys what may be termed an enviable position with respect to the payment of taxes. While the Hydro Electric Railway Act does not of itself specifically detail taxes that shall be charged, the Power Commission Act provides that taxes shall be payable only on land values, nothing being chargeable with respect to buildings and equipment. As pointed out in "General Relations"

the amount paid by the Commission in respect of taxes for the first seven months of operation was $3,888.33. For the whole year following this period the taxes amounted to only $4,503.02, and for the fiscal year ending October 31st, 1922, the taxes were further reduced to $3,471.94. Taking the capital investment as at that date, namely, $2,629,129.16, the tax rate would amount to a little less than 1.3 mills on the dollar. While in all likelihood the properties being owned by private enterprise would not be assessed to the full amount of their value, it is undoubtedly true that the municipalities as a whole are losing a very substantial amount each year through the low tax rates applying to railway systems in the district, and consequently when deficits occur, the direct result is felt by the car users and non-car users alike, inasmuch as such deficits must be met by cash advances by the municipalities. The indirect effect is ever present whether the deficits occur or not inasmuch as the revenue of the municipalities concerned is in fact decreased by the amount which is not collectable from the properties operating within their borders.

R. p.29

In addition to advantages enjoyed by the Railway by low tax rates, it is to be noted that during the year 1922 the sum of $70,000.00 was charged against the City of Windsor alone in connection with street paving between the

R. p.29

rails. Under the franchise governing the operation of the road when owned by the Detroit United Electric Railway, paving between the tracks and for eighteen inches on each side thereof had to be maintained and paid for by the Railway Company. Under the Commission's operation this provision automatically ceased, and as a direct result of same, the City of Windsor in addition to increased fares and reduction in taxes received, have to provide the cost of paving which under other conditions would have been borne by the private company.

EVENTUAL OWNERSHIP OF PROPERTIES

The various relationships existing with respect to the ownership, operation and responsibility for the undertaking under discussion have been dealt with at some length in the Section of this report entitled "General Relations". As pointed out the municipalities involved must issue and deposit with the Commission as collateral security bonds in support of all capital expenditures, which bonds may be drawn upon by the Commission in event of the municipalities failing to meet their obligations with respect to capital expenditures or operating losses, such operating losses to include provisions for renewal, contingencies, sinking fund and so forth. At the expiration of the ten-year period, sinking funds must be charged against operations and under

the provisions of the Act, the payment of sinking fund is a direct measure of the municipal equity in the undertaking. It is necessary and expedient that, during the period of ten years while sinking fund charges are deferred, the bonds of the municipalities be held by the Commission to the full extent of the capital assets of the undertaking, but after the deferred period is over and sinking funds are provided out of operations, the municipalities acquire a growing equity which will reach complete ownership at the end of forty years. Inasmuch as the municipalities are responsible for operating deficits, to some extent their bonds should remain in the hands of the Commission as a security that operating deficits will be met, but as the Sinking Fund grows it would appear to be only fair to the municipalities that at definite periods a certain proportion of their bonds should be returned to them, the Commission retaining a portion thereof considered adequate and necessary to offset any operating deficits that might occur.

Consideration of this matter does not appear to have been taken care of in any way by the Hydro Electric Railway Act, and of course no such provision was made in the Power Commission Act inasmuch as the basis of responsibility is on an entirely different plane. It would appear, therefore, desirable that definite consideration be given to the passing of an amendment to the Act which will take care of this situation.

GENERAL

In conclusion, it may be stated that the Commission under the Provisions of the Radial Railway Act and the Power Commission Act enjoy many special advantages economically measurable in dollars and cents. It has very wide facilities for raising money on debentures issued in its own name, endorsed by the Province, resulting in a much lower interest rate than that payable by private enterprise. It has no measurable responsibility as to the methods of operation beyond the fact that it is acting in a trustee capacity for the municipalities, which, however, must meet any expenses no matter how incurred.

Taxes on the properties operated by the Commission produce little revenue for the municipalities concerned, and the small payment required of the Commission in respect of taxes materially reduces their operating costs.

The Commission in the operation of the Railway System under discussion followed an arbitrary decision of their own with respect to setting aside reserves for renewals and contingencies, even though the provision of such reserves is a necessary charge against the Railway. As detailed on page 23 of this Report the Commission, by crediting back the renewal reserve provided during the first nineteen months of operation, and by their decision that no renewal reserves should be charged against the railway during

rehabilitation, showed a net profit to October 31st, 1922, of $7,749.39 whereas had provision been made for renewal reserve a net loss of $84,507.37 would have been experienced. Under the provisions of the Hydro-Electric Railway Act this loss if faced would have been taken up pro rata by the municipalities.

As pointed out the Commission experienced a saving in Capital Expenditure of $70,000.00 which was charged to the City of Windsor to cover the cost of paving the roadbed, which cost under the conditions of the original franchise would have been borne by the Railway. R. p.29

In the broader sense, the main consideration is the desirability of having a Commission specifically appointed by the Government for the development and sale of electrical energy operating railway systems in different parts of the Province.

The development and sale of power in operation is entirely distinct and apart from the problems facing an organization charged with the responsibility of dealing with transportation facilities, and it is very doubtful if the proper degree of attention is given to an enterprise the relative value of which is so insignificant as compared with the development and sale of power. It is amply borne out by the operating results of railways serving small municipalities that every degree of efficiency must obtain in the operation of such roads, and every care be exercised with regard to strict economy in operation and capital expenditure if such undertakings are to operate on a sound financial basis.

From time to time in the foregoing review it will have been noted that the Commission in the operation of this railway appear to assume that the provisions of the Hydro-Electric Railway Act and the Power Commission Act, are both applicable to the operation of the enterprise. We can find no justification for the adoption of this principle, and to the extent that the Commission have applied the statutory provisions of the Power Commission Act to the operation of this Railway, then to this extent we submit that their actions may be characterized as illegal. Auditor Clarkson in evidence given before the Commission definitely states that in his opinion the Hydro-Electric Railway Act was not intended in any way to work in conjunction with the Power Commission Act or vice versa,, and the application of the provisions of the Power Commission Act to properties operated directly under the Hydro-Electric Railway Act is improper and unjustified.

As pointed out by Mr. Clarkson there appears to be no provision in the Hydro-Electric Railway Act whereby the Commission is authorized to purchase the capital share stock of a going concern and continue its operation in the name of a private company. Such action on the part of the Commission may not be considered a serious matter, were it not for the fact that in raising money by the sale of their own bonds guaranteed by the Province, the Commission, and consequently the Government are placed in the position of lending money to, and financing a private enterprise. If the continuance of such a policy is approved of by the Government then

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legislative authority should be given in the form of an amendment to the Hydro-Electric Railway Act.

While it did not come out in evidence it would appear that little or no consideration was given to the fact that when the City of Windsor purchased its local distribution system for the sum of $190,000.00 that bonds against this system included in the total outstanding amount of $789,000.00 constituted a first lien on this property and that while such bonds were outstanding the City of Windsor was in the position of having paid $190,000.00 for a property against which the bond holders had a first mortgage. It is pointed out that in this way the City of Windsor was placed in the position that the bond holders could have required the redemption of their bonds at any time, inasmuch as the local distribution system originally formed part of the Sandwich, Windsor and Amherstburg Railway Company Limited, and on this ceasing to be a part of such company, the face value of the bonds immediately became collectible. We are advised however, that the outstanding bonds were all redeemed in December of last year, so that there is no possibility of this situation now arising.